

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 FEA-02 AEC-11 AID-20 CEA-02

CIAE-00 CIEP-03 COME-00 DODE-00 FPC-01 H-03 INR-11

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 TRSE-00 FRB-03 SSO-00

NSCE-00 USIE-00 PRS-01 INRE-00 PA-04 DRC-01 /164 W

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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC IMMEDIATE 4476

C O N F I D E N T I A L OTTAWA 2949

E.O. 11652: GDS

TAGS: ENRG, CA, US

SUBJ: CANADIAN NATURAL GAS EXPORTS TO U.S.

REF: A. OTTAWA 2924

B. BUCHANAN-RILEY TELCON OF SEPT 13

FOR ATTENTION KATZ, EB

1. EXTAFF OFFICER CONFIRMED TO EMBOFF THIS MORNING THAT MONTREAL GAZETTE REPORT OF SEPT 13 ON EMR MINISTER MACDONALD'S MEETING WITH B.C. OFFICIALS ACCURATE IN ALL ESSENTIALS. SALIENT POINTS OF NEWS REPORT AS AS FOLLOWS:

A. DESPITE ATTEMPTS TO INCREASE AMOUNT OF MARKETABLE NATURAL GAS IN B.C., THERE WILL STILL BE SERIOUS SHORTAGES THIS WINTER.

B. B.C. OFFICIALS ARE WORKING ON PROPOSALS TO CLOSE DEMAND-SUPPLY GAP BUT TOTAL SHORTFALL CANNOT BE OVERCOME.

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C. MACDONALD SAID THAT B.C. IS LOOKING INTO WAYS TO "EQUITABLY SHARE" SHORTAGE BETWEEN DOMESTIC AND EXPORT CUSTOMERS.

D. ONE PROPOSAL TO REPLACE SOME OF GAS SHORTAGE, MACDONALD SAID, IS TO TRANSPORT SUPPLIES FROM ALBERTA BUT "THE TIMING FOR SUCH A MOVE" HAS NOT BEEN SET. MACDONALD STATED HE COULD NOT DISCUSS OTHER PROPOSALS UNTIL B.C. IS READY TO RELEASE THEM.

E. ALTHOUGH B.C. HOPED TO DIVIDE SHORTAGES BETWEEN DOMESTIC AND EXPORT CUSTOMERS, SOME AREAS OF B.C., SUCH AS THE INTERIOR, RELIED SOLELY ON GAS FOR HEATING AND COULD NOT HAVE THEIR SUPPLIES REDUCED.

F. WITH REGARD TO PRICE, MACDONALD SAID HE IMPRESSED ON B.C. OFFICIAL THE NEED TO FIT PRICE CHANGES "INTO AN OVERALL, NATIONAL FRAMEWORK."

G. MACDONALD WILL SOON BE MAKING A PRICE PROPOSAL TO THE CABINET ON BASIS OF NATIONAL ENERGY BOARD RECOMMENDATIONS. PRICES HAVE ALREADY BEEN DISCUSSED BY OTTAWA WITH ALBERTA AS WELL AS WITH B.C.

H. PRICES WILL BE DISCUSSED WITH UNITED STATES NEXT WEEK IN VIEW OF FACT U.S. IMPORTS 40 PERCENT OF CANADIAN PRODUCTION. MACDONALD SAID THAT B.C. WOULD TAKE NO ACTION ON PRICES UNTIL DISCUSSIONS TOOK PLACE WITH U.S. OFFICIALS.

2. EXTAFF OFFICER, IN CONFIRMING ABOVE, STATED THAT EXTAFF OFFICIALS HAD MET WITH B.C. REPRESENTATIVES SEPTEMBER 12 PRIOR TO MEETING WITH EMR MINISTER MACDONALD AND THAT B.C. IS PREPARED, FOR EXAMPLE, TO FREE UP ABOUT 40 MILLION CUBIC FEET DAILY FOR DOMESTIC AND EXPORT USERS BY SWITCHING SOME B.C. HYDRO FACILITIES TO OIL. IN ADDITION, GENERAL REFERENCE
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WAS MADE TO A B.C. TIE-IN WITH ALBERTA GAS TRUNK LINE AND GREATER UTILIZATION OF EXISTING ALBERTA GAS LINE TO IDAHO. PROGRESS ON LAYING OF 80 MILES OF PIPE TO NEW B.C. FIELDS WILL UNFORTUNATELY BE OF NO ASSISTANCE TO THIS YEAR'S SHORTAGE PROBLEM.

3. ON THE PRICE QUESTION, EXTAFF OFFICER STATED THAT MATTER WAS SUBJECT OF MEETING LAST NIGHT BETWEEN

MACDONALD AND EXTAF MINIST MACEACHEN AND EXTAF
WILL CALL EMBASSY OFFICIALS IN "VERY SOON", FOLLOWING
MINISTERIAL LEVEL REVIEW, TO PRESENT DETAILS. IN
GENERAL, HOWEVER, EXTAF OFFICER SAID THAT THERE IS
"VERY GOOD CHANCE" FOR PHASED AND GRADUAL PRICE
INCREASES IN LIEU OF QUANTITATIVE LEAP AS PROPOSED
BY B.C. OFFICIAL EMPHASIZED THAT PRICE INCREASES
WOULD BE ACROSS THE BOARD AND NOT RPT NOT APPLICABLE
TO B.C. EXPORTS SOLELY. PORTER

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